

Transition arrangements - Investment Property

Step 1 - Restate Opening IFRS Balance Sheet as at 1 April 2009

The Code (following *IFRS 1*) requires local authorities to classify and account for investment properties in their opening IFRS balance sheet (1 April 2009) in accordance with section 4.4 of the Code (see also *IAS 40* and *IPSAS 16*). Accounting for investment property at fair value through the Income and Expenditure Account is a change of accounting policy that will require authorities to restate their opening balances in respect of investment property.

Authorities shall transfer any balances on the Revaluation Reserve in respect of investment property as at 1 April 2009 to the Capital Adjustment Account.

Authorities shall adjust the carrying amount of investment property held under a lease to fair value as at 1 April 2009.

Step 2 - Restate Comparative Figures for 2009/10 (Investment Property acquired prior to 1 April 2009)

Transactions in relation to investment property during 2009/10 will need to be restated in line with the Code. Where the revaluation of investment property was effected through the Revaluation Reserve, authorities shall restate the 2009/10 position by reversing these transactions and effecting the change to fair value through the Income and Expenditure Account.

Depreciation charged on investment property held under a lease shall be reversed. The carrying amount of the lease shall be adjusted to fair value if required.

Step 3 - Restate Comparative Figures for 2009/10 (Investment Property acquired during 2009/10)

Where an authority has acquired investment property during 2009/10, any revaluations or depreciation charged on investment property held under a lease shall be reversed in line with Step 2. In addition, an authority shall consider whether any investment property acquired during 2009/10 requires its carrying amount to be adjusted to fair value, and whether any investment property under construction requires its carrying amount to be adjusted to fair value.

IAS 40 states that, where an asset is transferred from operational assets to investment property, the asset is revalued to fair value on transfer and the gain or loss is recognised in the Revaluation Reserve; this balance is retained in the Revaluation Reserve until the investment property is derecognised. This requirement shall apply prospectively (i.e. from 1 April 2010), and shall not be applied on transition to IFRS. This arises due to the difficulties in establishing the balance that would be required on the Revaluation Reserve due to the reserve being constituted with a nil balance at 1 April 2007.

Transition arrangements - Investment Property (Alternative Presentation)

Authorities shall restate the opening IFRS Balance Sheet as at 1 April 2009 in line with section 4.4 of the Code. Balances on the revaluation reserves shall be transferred to the Capital Adjustment Account, and the carrying amount of investment property held under a lease shall be restated at fair value.

Authorities shall restate the Income and Expenditure Account for 2009/10 in line with section 4.4 of the Code. Amounts debited or credited to the Revaluation Reserve shall be taken to the Income and Expenditure Account. Depreciation charged on investment property held under a lease shall be reversed. Investment properties acquired or under construction in 2009/10 shall be adjusted to fair value if required.